DECLASSIFIED

Department of State

TELEGRAM

PET 15-1 LIBYA

14

XR PET 3 OPEC

LIMITED OFFICIAL USE 396

505

11.6.72

BEIRUT 12014

PAGE 01 BEIRUT 12014 061255Z

53
ACTION EB-11

INFO OCT-01 AF-10 ARA-11 EUR-20 NEA-10 T-03 PM-08 COM-08
COME-00 OEP-01 AID-20 NSC-10 RSC-01 CIEP-02 SAL-01
SS-14 STR-08 OMB-01 CEA-02 P-03 PRS-01 USIA-12 INT-08
CIAE-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12
LAB-06 SIL-01 RSR-01 /204 W

114002

R 061111Z NOV 72
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 9322
INFO USINT ALGIERS
USINT BAGHDAD
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY VIENNA

C 5/4/82

FOR EXEMPTIONS

pet 6 Wages
XR pet 3 OPEC

LIMITED OFFICIAL USE BEIRUT 12014

SUBJ: PETROLEUM:LIBYAN OILMIN VIEWS ON PARTICIPATION, DISPUTES

REF: TRIPOLI 1695 (NOTAL)

1. IN EXCLUSIVE INTERVIEW WITH MIDDLE EAST ECONOMIC SURVEY (MEES) NEWS EDITOR IAN SEYMOUR IN RIYADH FOLLOWING OPEC CONFERENCE, LIBYAN OILMIN MABRUK SAID LIBYA'S PARTICIPATION GOALS REGARDING REST OF INDUSTRY ARE "MORE OR LESS THE SAME AS IN RECENT ENI DEAL:
A. IMMEDIATE AND "NON-NEGOTIABLE" 50 RPT 50 PERCENT EQUITY IN "PROFITABLE" LIBYAN VENTURES (MEANING VIABLE VENTURES, HE EXCLUDED AMOCO).
B. COMPENSATION ONLY AT NET BOOK VALUE (NO INFLATION

(2)

LIMITED OFFICIAL USE

0315571220

FORM DS-1652

DECLASSIFIED

Department of State TELEGRAM

UPDATING).

C. BUY-BACK: LARG OPTION TO REQUIRE COMPANIES TO MARKET LIBYAN SHARE AT HALF-WAY PRICE MINUS APPROPRIATE "COMMISSION" (IN CONTRAST OPEC GULF FORMULA SETTING BUY-BACK PRICE FOR BULK OF GOVERNMENT CRUDE AT QUARTER-WAY PLUS DIFFERENCE BETWEEN IT AND MARKET PRICE). MABRUK SAID LARG WANTS COMPLETE DISCRETION MARKET EQUITY CRUDE ITSELF IF IT WISHES, CLAIMING THAT AFTER TWO OR THREE YEARS LIBYA CAN MARKET ITS SHARE WITHOUT COMPANIEF' HELP.

2. MABRUK STRESSED THAT NEGOTIATIONS WITH COMPANIES WOULD BE INDIVIDUAL, NOT COLLECTIVE. HE DECLINED SAY WHAT WOULD HAPPEN IF COMPANIES REFUSE ACCEPT LIBYAN TERMS, STATING THAT MUTUAL AGREEMENT HAS PREVAILED TO DATE AND HE SEES "NO REASON WHY THIS STATE OF AFFAIRS SHOULD NOT CONTINUE." HE SEEMED TO REJECT DOWNSTREAM INVESTMENT TO DEVELOP LIBYAN MARKETS, STATING LARG MUST CONCENTRATE ON INTERNAL DEVELOPMENT FIRST.

3. OTHER POINTS:

A. MABRUK REVEALED FOR FIRST TIME, ACCORDING MEES, TWO NEW LIBYAN PROJECTS (A) 130-150,000 BPD EXPORT REFINERY AT TOBRUK FOR NATIONALIZED SARIR CRUDE IN WHICH FOREIGN COMPANY PARTICIPATION WELCOME; FEASIBILITY STUDY COMPLETED AND TENDERS DUE SOON, (B) LNOC PLANS TO DEVELOP MODEST BUT HOPEFUL DISCOVERIES IN WESTERN LIBYA RELINQUISHED BY GULF, SHELL AND TOTAL IN 1970; 25 WELLS PLANNED THIS YEAR AND NEXT, PIPELINE AND EXPORT TERMINAL HOPED FOR IN THREE YEARS.

B. NELSON BUNKER HUNT CASE: MABRUK SAID BH COULD LOSE "NOT JUST 50 PERCENT OF HIS INTEREST BUT THE WHOLE LOT" UNLESS BH STARTS COMPLYING WITH CONCESSION AGREEMENT. MABRUK CLAIMED BH CONCESSION IS LEGALLY DEFECTIVE SO COULD BE CANCELLED "BUT WE ARE REASONABLE PEOPLE," WANT GOOD RELATIONS WITH ALL.

C. BP RPT BP NATIONALIZATION CASE: MABRUK ADMITTED THAT LIBYA HAVING DIFFICULTIES MARKETING NATIONALIZED SARIR CRUDE DUE BP OPPOSITION. HE CLAIMED LARG WANTS SETTLEMENT BUT BP DOES NOT, HAS REFUSED "COME IN AND SETTLE MATTER" AND FAILED SUBMIT CLAIM TO COMPENSATION COMMISSION.

07

DECLASSIFIED

FORM DS-1652

DECLASSIFIED

Department of State TELEGRAM

LIMITED OFFICIAL USE

PAGE 03 BEIRUT 12014 061255Z

D. ONE OF LIBYA'S BIGGEST CURRENT OIL PROBLEMS, MARRUK SAID, IS MINIMAL LEVEL OF EXPLORATION BY ESTABLISHED OPERATORS. HE SAID LARG PREPARED ENTERTAIN ANY PROPOSALS FOR NEW EXPLORATION VENTURES ON JOINT VENTURE OR SERVICE CONTRACT BASIS, PARTICULARLY FROM EXISTING OPERATORS, SINCE THERE STILL "ENORMOUS" AMOUNTS OIL TO BE FOUND IN LIBYA.

4. COMMENT: INTERVIEW PUBLISHED NOV 3 ISSUE MEES. TONE WAS RELATIVELY MODERATE, THREATS INDIRECT OR ABSENT. IN INTERESTING COMMENT ON LARG PARTICIPATION OBJECTIVES, MEES SAID "WHEN CHIPS DOWN" IN LIBYA 50 PERCENT EQUITY AND BUY-BACK DEMANDS MAY TURN OUT TO BE LESS VITAL THAN COMPENSATION AS FAR AS EFFECT ON PERSIAN GULF AGREEMENT CONCERNED, SINCE MASSIVE VOLUMES OF OIL INVOLVED GULF WOULD MAKE IT IMPRACTICAL FOR GOVERNMENTS THERE TO MOVE AS FAR AND AS FAST AS LIBYA WISHES. WE THINK, HOWEVER, THAT GULF GOVERNMENTS WILL TAKE CONSIDERABLE INTEREST IN DISPOSAL ARRANGEMENTS LIBYAN GOVERNMENT CRUDE IF IT APPEARS LIBYA MIGHT WEAKEN MARKET.

DECON 11/6/73.
BUFFUM

LIMITED OFFICIAL USE

17

0313570730

FORM DS-1652

F7800Ø2-Ø332 (2) Ref 6 Libya 12 Libya

Department of State TELEGRAM

CONFIDENTIAL 898

PAGE Ø1 TRIPOL Ø1729 Ø815517

47
ACTION EB-11

INFO OCT-Ø1 AF-1Ø EUR-2Ø NEA-1Ø OEP-Ø1 T-Ø3 COM-Ø8 COME-ØØ
PM-Ø8 AID-2Ø NSC-1Ø RSC-Ø1 CIEP-Ø2 SAL-Ø1 SS-14
STR-Ø8 OMB-Ø1 CEA-Ø2 CIAE-ØØ FRB-Ø2 INR-Ø9 NSAE-ØØ
TRSE-ØØ XMB-Ø7 OPIC-12 LAB-Ø6 SIL-Ø1 P-Ø3 PRS-Ø1
USIA-12 INT-Ø8 L-Ø3 RSR-Ø1 /196 W
001561

R Ø814592 NOV 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9361
INFO AMEMBASSY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS

Classification Extended By:
C.E. McManaway
A/CDC 8/11/1980
P800117-1414
RDS-3 11/8/84

Tripoli 1729 11/8/72

C O N F I D E N T I A L TRIPOLI 1729

SUBJ: BUNKER-HUNT AND PARTICIPATION

REF: TRIPOLI 1676 Ref 6 xr Pet 15-2 Libya xr Pet 30822

SUMMARY: IN COURSE OF THREE RECENT MEETINGS, LARG HAS GIVEN BUNKER-HUNT COPY OF NATIONAL OIL COMPANY/AGIP AGREEMENT AND HAS INDICATED THIS SHOULD FORM BASIS FOR ARRANGEMENT WITH BUNKER-HUNT. OTHERWISE, SESSIONS WERE LARGELY SPARRING CONTESTS, WITH NEXT MEETING SCHEDULED ABOUT NOVEMBER 23. END SUMMARY.

1. [redacted] GAVE EMBOFF FOLLOWING RUNDOWN OF LATEST LARG-BUNKER-HUNT CONTACTS RE NEW OPERATING AGREEMENT/PARTICIPATION.

2. THREE MEETINGS HAVE BEEN HELD SINCE SESSION REPORTED REFTEL: FIRST ON NOVEMBER 1 WITH MINPET MABRUK WAS NON-MEETING DURING WHICH MABRUK TURNED BUNKER-HUNT REP

(2)

CONFIDENTIAL

DECLASSIFIED
F76-002-0033

Department of State TELEGRAM

CONFIDENTIAL

PAGE 02 TRIPOL 01729 081551Z

SCHULER OVER TO MINISTRY NEGOTIATING TEAM HEADED BY BIN 'UMRAN, FORMER HEAD OF MINISTRY'S TECHNICAL DEPT. IN SECOND MEETING NOVEMBER 2 BIN 'UMRAN WAS ILL-PREPARED BUT DID GIVE SCHULER COPY OF NATIONAL OIL COMPANY (NOC)/AGIP AGREEMENT (TRIPOLI 1594) AND INDICATED IN GENERAL TERMS IT SHOULD FORM BASIS OF FUTURE RELATIONSHIP BETWEEN ARAB GULF EXPLORATION COMPANY (AGEC) AND BUNKER-HUNT. THIRD AND FINAL MEETING NOVEMBER 4 WAS INCONCLUSIVE, WITH SCHULER'S EFFORTS CONCENTRATED UNSUCCESSFULLY ON ELICITING FROM LIBYANS EXISTENCE AND CONTENT OF SUBSIDIARY UNDERSTANDINGS WHICH WOULD MATERIALLY ALTER EFFECT OF ITALIAN AGREEMENT.

3. IN PARALLEL DEVELOPMENT, PET MIN MABRUK QUOTED IN STATEMENT TO AL AHRAM NOVEMBER 3 (ASSUME FBIS TEXT AVAILABLE TO DEPT), MADE WHAT HAS BECOME STANDARD LARG STATEMENT ON PARTICIPATION, I.E. LARG SUPPORTS GULF PARTICIPATION AGREEMENT BUT QUITE SIMPLY SEEKS NO "MORE." MABRUK ALSO LISTED THREE AIMS IN CURRENT LARG THRCT FOR PARTICIPATION: A) INCREASE EXPLORATION OPERATIONS; B) INCREASE INFLUENCE OVER TECHNICAL AND ADMINISTRATIVE DECISIONS; AND C) OBTAIN CRUDE FOR ITS OWN MARKETING.

4. COMMENT. A) PUTTING TOGETHER TENOR OF LARG APPROACH TO BUNKER-HUNT WITH PRESS AND OTHER STATEMENTS RE PARTICIPATION WE INCLINE TO BELIEF THAT THOUGH LIBYANS WILL BE NO LESS TOUGH IN UPCOMING ROUND OF PARTICIPATION NEGOTIATIONS THAN THEY HAVE BEEN ON POSTED PRICE IN THE PAST, CERTAIN DEGREE OF PRAI-T SM AND LACK OF HASTE MAY CHARACTERIZE THIS ROUND. WE HAVE DISTINCT IMPRESSION THAT QUESTION OF FUTURE INVESTMENT, PARTICULARLY IN EXPLORATION, HAS BEGUN TO WORRY HIGHEST LEVELS OF LARG. INDUSTRY SOURCES TOLD US, FOR EXAMPLE, THAT LATTER NOTED SUCH CONCERN IN HIS FIRST MEETING WITH LARG'S HIGHER PLANNING COUNCIL CHAIRED BY RCC CHAIRMAN QADHAFI. QADHAFI REPORTEDLY DEMANDED TO KNOW PRECISELY WHY COMPANIES DISINCLINED INCREASE THEIR INVESTMENT IN LIBYA AND WHEN BALLU REPLIED THAT THREAT OF NATIONALIZATION OR FORCED UNFAVORABLE PARTICIPATION TERMS WERE MAIN REASON, QADHAFI ASKED POINTEDLY WHERE COMPANIES HAD GOTTEN THIS IDEA AND SHOT AN ANGRY LOOK AT MINPET MABRUK.

CONFIDENTIAL

DECLASSIFIED

DECLASSIFIED F760002-0334

Department of State TELEGRAM

CONFIDENTIAL

PAGE 03 TRIPOL 01729 081551Z

B) AS MABRUK HIMSELF NOTED IN AL AHRAM STATEMENT, DESIRE FOR INCREASED SAY IN TECHNICAL AND ADMINISTRATIVE DECISIONS DESIRED BECAUSE IT WOULD HELP DEVELOP LARG'S MANPOWER AND LEADERSHIP SKILLS. THIS, IN OUR VIEW, MEANS LARG NOT INTERESTED IN ABRUPT NATIONALIZATION WITH DEPARTURE OF SKILLED WESTERN OIL MEN WHO MUST BE PRESENT TO TRAIN LIBYANS.

C) FINALLY, LARG PLANNERS KNOW THAT OBTAINING CRUDE ONLY HALF THEIR PROBLEM; THEY MUST HAVE COMPANIES' ASSISTANCE FOR ANY EXTENSIVE MARKETING. WITH PASSING OF MONTH OF RHAMADAN WE EXPECT PACE OF PARTICIPATION TALKS WILL PICK UP HERE BUT WOULD JUDGE THAT LARG PROBABLY WILL NOT BEGIN FULL-SCALE TALKS WITH MAJORS UNTIL IT HAS TESTED THE WATERS RATHER WELL WITH BUNKER-HUNT. GDS.
JOSIF

NOTE BY OCT: TRIPOLI 1729 # AS RECEIVED.
WILL BE SERVICED ON REQUEST.

CONFIDENTIAL
56

FORM

OUTGOING TELEGRAM 1780002-0329 Pet 6 Libya

DEPARTMENT OF STATE

FORM DS 3221(OCR) 22 NOV 72 23 12Z 212891

ACK	212891	222302Z NOV 72	JOHNSON

Pet 4 Libya-US

CONFIDENTIAL CLASSIFICATION SPECIAL CAPTIONS

EB:ORF:FSE:GSBROWN:LED NAME
11/22/72 EXT 20781 TEL. EXT.
EB:ORF:FSE: JAMES E. AKINS NAME

OFFICE	NAME
AF/N - MR. WARREN CLARK, JR.	
CLEARANCES	CLEARANCES 3/4/82

DESIRED DISTRIBUTION

ROUTINE PRIORITY TRIPOLI

INFO PRIORITY REFERENCE

SPECIAL HANDLING

CAPTION

Classification Extended By:
C.E. McManaway
A/CDC
P800117-1414
8/11/1980
RDS-3 11/22/84

INITIALS
DRA
DRA

SUBJ: BUNKER HUNT/LARG PARTICIPATION NEGOTIATIONS

1. WE INFORMED BY THAT BUNKER HUNT HAS BEEN ASKED BY LARG TO OPEN NEGOTIATIONS ON PARTICIPATION NOV 23 IN TRIPOLI. LARG INSISTING ON ENI TYPE DEAL, WITH MARKETING ALLOWANCE TO BH ON BUY BACK OIL WHICH WOULD BRING PRICE DOWN TO MARKET PRICE (LARG REPORTEDLY OFFERING THIS AS "SPECIAL" DEAL TO BH, SAYING SUBSEQUENT TERMS TO OTHER COMPANIES WOULD BE HARDER). BH HAS IMPRESSION IT CAN NO LONGER STALL OFF LARG AND MUST BEGIN SERIOUS NEGOTIATIONS ON PARTICIPATION.

2. B.H. INFORMED INDUSTRY GROUP THAT IT WILLING TO TAKE HARD LINE IN NEGOTIATIONS IF LIB AN SHARING AGREEMENT, WHICH EXPIRES IN ONE YEAR, WERE EXTENDED. OTHERWISE , INDICATED B.H. STUDYING POSSIBILITY OF SEPARATE DEAL WITH LARG (COMMENT: POSSIBLY PURCHASE CONTRACT). COMPANIES HAVE ACCORDINGLY BEEN MEETING IN NEW YORK AND HAVE AGREED ON ONE-YEAR EXTENSION TO SHARING AGREEMENT, WHICH CURRENTLY BEING SIGNED BY COMPANIES. COMPANIES HAVE ALSO PREPARED TERMS OF REFERENCE FOR B.H. USE WITH LIBYANS; NEGOTIATORS WILL APPARENTLY STAND BY PERSIAN GULF PARTICIPATION SETTLEMENT AND OFFER NO BETTER TERMS. IN VIEW OF CONTINUING GAP BETWEEN COMPANY AND LARG POSITIONS, IT SEEMS PROBABLE THAT IMPASSE WILL SHORTLY BE REACHED IN NEGOTIATIONS. B. H. AND OTHER COMPANIES CONSIDER IT LIKELY THAT LARG WOULD AT THAT POINT TAKE ACTION AGAINST B. H.

CONFIDENTIAL

OUTGOING TELEGRAM
Continuation Sheet,

FORM DS 322A(OCR)

PAGE 2

CONFIDENTIAL

3. I

B1

I COMPANIES APPEAR CONFIDENT THEY CAN WEATHER SUPPLY DIFFICULTIES THROUGH SHARING AGREEMENT AND EXCESS CAPACITY AVAILABLE ELSEWHERE, AND HOPEFUL THAT LARG WILL EVENTUALLY SOFTEN ITS PARTICIPATION TERMS. HOWEVER, WE NOT CONVINCED THAT THEIR HOPE WELL GROUNDED. 44

GP-4 44

6
5
4
3
2
1
0

CONFIDENTIAL
CLASSIFICATION